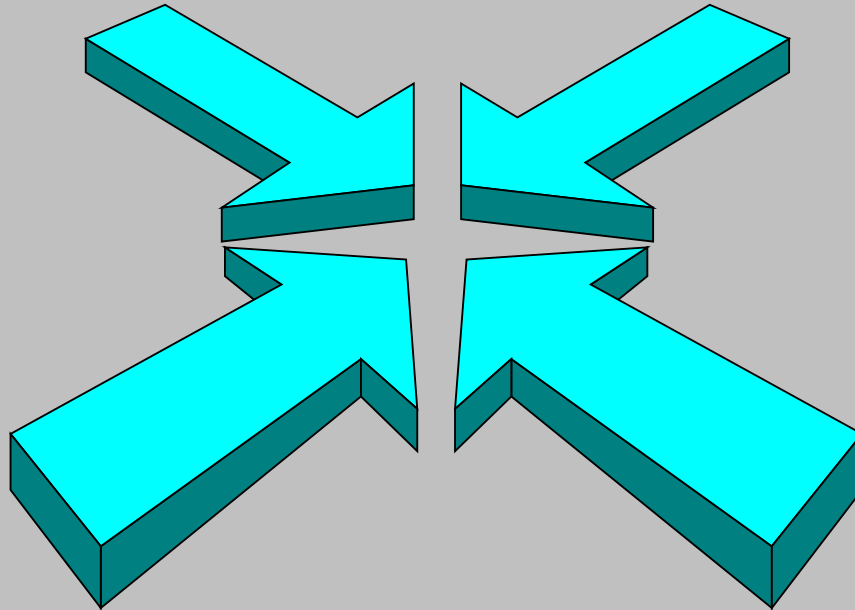


**STATE OF MONTANA  
LOSS EXPOSURE PROFILE**



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**PREPARED BY THE  
RISK MANAGEMENT & TORT DEFENSE  
DIVISION  
DEPARTMENT OF ADMINISTRATION**

# PREFACE

In October of 1992, the Risk Management and Tort Defense (RMTD) Division developed an agency risk management survey. The survey utilized A.M. Best's Municipal Underwriting Insurance Guide to identify common activities of state agencies, which often precede liability, property, or personal injury losses.

The division has since conducted a 6-year evaluation of historical claims and lawsuits to identify major activities with loss potential. A primary purpose of the analysis was to help state agencies identify their own workers= compensation and liability exposures and to collect information to be utilized in mitigating agency risks.

This updated profile includes a summary of most known agency activity risks, a brief description of each, and risk categories. The profile is intended to assist agencies to identify risks, establish priorities, and determine where appropriate remedial measures can be taken.

Risk management is a function of agency management, which cannot be delegated. If risk management is to have a priority within state government, then managers have to create it. The Risk Management and Tort Defense Division, Department of Administration administers the statewide loss control plan and will provide training, consultative services, or written loss control information to state agencies as time, resources, and expertise permit.

## RISK CATEGORIES

Agency activity risks can typically be placed into one of four major risk categories (below):

- ♦ **CATEGORY 1 - High Frequency/High Severity Losses** - These activity losses occur regularly and are large in magnitude as measured by the costs to adjust and resolve.
- ♦ **CATEGORY 2 - High Frequency/Low Severity Losses** - These activity losses occur regularly but are small in magnitude as measured by loss adjustment and claims resolution costs.
- ♦ **CATEGORY 3 - Low Frequency/High Severity Losses** - These activity losses occur irregularly and but are large in magnitude as measured by loss adjustment and claims resolution costs.
- ♦ **CATEGORY 4 - Low Frequency/Low Severity Losses** - These activity losses occur irregularly and are small in magnitude as measured by loss adjustment and claims resolution costs.

# RISK PRIORITIES

The priorities established in treating state risks to a large degree involve an analysis of loss frequency, loss severity, loss propensity (potential), resource availability, and the ability to control loss outcomes associated with the activity.

The sources of loss associated with some activities are so random, infrequent, or difficult to mitigate that it is probably not cost effective to implement loss control programs. However, since the causes of many losses are known, most can be prevented.

Risk management involves identifying potential sources of loss (risk), and treating those risks through an appropriate combination of one or more of the following techniques:

- ♦ **AVOIDANCE** - Avoiding activities which present a high potential for loss. It is not always possible to avoid risk, but the possibility should not be overlooked.
- ♦ **LOSS CONTROL** - Preventing losses from occurring or reducing the severity of loss once it occurs.
- ♦ **INSURANCE** - Purchasing commercial insurance or funding risk through self-insurance programs.
- ♦ **CONTRACTUAL TRANSFER** - Transferring risk to independent contractors via contract where feasible, cost-effective, or required by law.

Priorities in treating risk are largely dependent upon the type of exposure, frequency/severity, and agency resources available to implement loss prevention programs. Typically, category 1 and 2 activities on the prior page involve a higher loss control priority because of the number of losses and the potential magnitude of these losses once they occur. Some category 3 activities, on the other hand, occur infrequently but may be catastrophic in nature and warrant special consideration.

Priority categories are summarized below:

- ♦ **PRIORITY 1** - Priority one loss control efforts typically include category 1 or 2 activities and some category 3 activities. Risk management efforts may significantly influence the loss outcome associated with the activity.
- ♦ **PRIORITY 2** - Priority two loss control efforts typically include category 3 activities. These losses occur irregularly but are large in magnitude as measured by loss adjustment and claims resolution costs. Agencies may or may not be able to significantly influence the loss outcomes associated with the activity through risk management efforts.
- ♦ **PRIORITY 3** - Priority three loss control efforts typically include category 4 activities. These losses occur irregularly and are small in magnitude as measured by loss adjustment and claims resolution costs. Agencies may or not be able to significantly influence the loss outcomes associated with the activity.

# STATE OF MONTANA RISK PROFILE

## LOSS CATEGORIES

**CATEGORY 1** - High Frequency/High Severity Loss Potential

**CATEGORY 2** - High Frequency/Low Severity Loss Potential

**CATEGORY 3** - Low Frequency/High Severity Loss Potential

**CATEGORY 4** - Low Frequency/Low Severity Loss Potential

(Agency Abbreviations are listed on Page 15)

<u>ACTIVITY</u>	<u>RISK CATEGORY</u>	<u>DESCRIPTION</u>	<u>AGENCY</u>	<u>PRIORITY</u>
Airports	3	<u>Operations hazards, large crowd problems, accidents, errors and omissions.</u>	TR, FWP	
Ambulance Services	3	<u>Medical malpractice, high speed driving.</u>	US	
Athletic Events	3	<u>Inadequate supervision, negligent maintenance, unsafe or improper equipment, crowd control, inadequate policies and procedures.</u>	US	
Auditors/Treasurers/ Collectors	3	<u>Failure to extend or collect taxes/audit errors and omissions.</u>	Most	

<u>ACTIVITY</u>	<u>RISK CATEGORY</u>	<u>DESCRIPTION</u>	<u>AGENCY</u>	<u>PRIORITY</u>
<b>Automobile Parking Facilities</b>	4	<u>Negligent Maintenance, inadequate security, premises liability.</u>	All	
<b>Beaches</b>	3	<u>Inadequate supervision, underwater obstructions, errors &amp; omissions, inappropriate signage, etc.</u>	FWP	
<b>Bleachers/Grandstand</b>	4	<u>Poor design or maintenance, over crowding, inadequate emergency plan.</u>	US	
<b>Boards, Councils, Directors &amp; Officers</b>	2	<u>Director's and officer's liability resultant from errors and omissions or decisions of board or council members, etc.</u>	Most	
<b>Bridges/Culverts</b>	2	<u>Poor design or maintenance, failure to warn of low clearances, or weight limits,</u>	TR	
<b>Building Construction</b>	3	<u>Contractual liability, damage to neighboring occupancies, explosives. Compliance with the new ADA (Americans w. Disabilities Act) accessibility rules. Negligent design.</u>	ALL	

<u>ACTIVITY</u>	<u>RISK CATEGORY</u>	<u>DESCRIPTION</u>	<u>AGENCY</u>	<u>PRIORITY</u>
<b>Building Maintenance</b>	3	<u>Improper housekeeping procedures, slips &amp; falls.</u> <u>Property losses</u>	ALL	
<b>Bus Operations</b>	3	<u>Inadequate driver training,</u> <u>negligent hiring.</u>	US, TR	
<b>Camps</b>	3	<u>Volunteers, training and supervision standards, child molestation.</u>	US, OPI, FWP	
<b>Civil Defense</b>	3	<u>Hazardous operations,</u> <u>volunteers, failure to train or supervise.</u>	MA	
<b>Clerks and Records</b>	4	<u>Filing errors.</u>	ALL	
<b>Contractor Liability</b>	2	<u>State liability for the acts of contractors in the absence of state indemnification.</u>	Most agencies.	
<b>Concessions</b>	3	<u>Product liability, liquor liability.</u>	US, FWP, Various	
<b>Containment areas/ dikes/levies/ditches</b>	3	<u>Flooding, maintenance,</u> <u>improper design.</u>	TR, FWP, DNRC	

<u>ACTIVITY</u>	<u>RISK CATEGORY</u>	<u>DESCRIPTION</u>	<u>AGENCY</u>	<u>PRIORITY</u>
<b>Convalescent Homes/ Shelters</b>	3	<u>Training, supervision, life safety, medical and other professional liability.</u>	PHHS	
<b>Counseling/Placement Services</b>	3	<u>Professional Liability.</u>	CR, PHHS, LI	
<b>Dams</b>	3	<u>Negligent inspection, maintenance, or design.</u>	DNRC, FWP	
<b>Data Entry</b>	2	<u>Improper body mechanics or workstation design may result in cumulative trauma disorders</u>	All agencies	
<b>Electric Power Distribution</b>	3	<u>Electrocution, fire, damage. Loss of income.</u>	All agencies	
<b>Electric Power Generation</b>	3	<u>Quality of output, power outages, pollution.</u>	DNRC	
<b>Employee Practices</b>	1	<u>Inadequate personal protective equipment. Unsafe practices such as lifting, housekeeping, use of tools, etc. Exposure to hazardous substances. Danger from an irate public.</u>	All agencies	

<u>ACTIVITY</u>	<u>RISK CATEGORY</u>	<u>DESCRIPTION</u>	<u>AGENCY</u>	<u>PRIORITY</u>
<b>Employee Fidelity</b>	4	<u>Theft, embezzlement, fraud, etc.</u>	All agencies	
<b>Fine Arts</b>	3	<u>Historic items such as artifacts, memorabilia, and works of art may be subject to property loss such as theft, fire, flood, etc.</u>	HS, US, Capitol.	
<b>Fire Suppression</b>	3	<u>Failure to enforce fire codes, emergency vehicle operations, volunteers, negligent inspection, failure to respond.</u>	CR, JU, DNRC	
<b>Foster Care/ Counseling/Placement</b>	1	<u>Child Molestation, failure to supervise, improper placement, inadequate policies and procedures. Property damage by foster children.</u>	PHHS	
<b>Gravel Pits</b>	3	<u>Attractive nuisance. Injuries to children or other members of the public.</u>	TR	
<b>Hospitals/Clinics</b>	3	<u>Transferring patients, volunteers, medical malpractice.</u>	CR, PHHS	
<b>Housing Projects</b>	4	<u>Negligent maintenance or</u>	US, CO	



<u>ACTIVITY</u>	<u>RISK CATEGORY</u>	<u>DESCRIPTION</u>	<u>AGENCY</u>	<u>PRIORITY</u>
		<u>management, failure to meet code requirements.</u>		
<b>Incinerators</b>	3	<u>Pollution, private-owner garbage trucks and drivers on the premises.</u>	DCHS	
<b>Jails/Detention Centers</b>	3	<u>Inadequate emergency plans, supervision of prisoners, provision of medical services, civil and constitutional rights.</u>	CR	
<b>Job Placement/ Employment</b>	3	<u>Discrimination.</u>	All agencies	
<b>Judges</b>	3	<u>Civil and constitutional rights. Errors or omissions.</u>	JU	
<b>Juvenile Detention Centers</b>	3	<u>Same as jails.</u>	CR	
<b>Lakes/Ponds/Rivers</b>	3	<u>Maintenance, supervision, flooding.</u>	FWP and DNRC	
<b>Landscaping</b>	4	<u>Property Damage.</u>	FWP,US	

<u>ACTIVITY</u>	<u>RISK CATEGORY</u>	<u>DESCRIPTION</u>	<u>AGENCY</u>	<u>PRIORITY</u>
Legal Services	4	<u>Legal malpractice, confidential records.</u>	All agencies	
Libraries	4	<u>Premises exposures, public assembly, theft.</u>	US, JU	
Marinas	3	<u>Maritime torts, fuel handling, pollution. Theft of state property.</u>	FWP	
Natural Disasters	3	<u>Floods, windstorms, hail damage, arson, or other natural or human perils.</u>	All Agencies	
Parades	3	<u>Large crowd problems (i.e. state air show) bleachers and grandstands, other hazardous conditions or equipment.</u>	MA, US	
Parks and Playgrounds	3	<u>Hazardous equipment or conditions, inadequate supervision, inadequate signage.</u>	FWP, US	
Pest Control	3	<u>Excessive or negligent application of harmful chemicals exposing people and pets or property.</u>	US, AG,TR	

<u>ACTIVITY</u>	<u>RISK CATEGORY</u>	<u>DESCRIPTION</u>	<u>AGENCY</u>	<u>PRIORITY</u>
<b>Police Departments</b>	3	<u>Civil and constitutional rights, assault and battery, failure to enforce, jails and lockups, volunteers, emergency operations, use of deadly weapons, excessive use of force.</u>	JU, AG, FWP, TR	
<b>Printing</b>	3	<u>Libel, pollution, chemical exposures.</u>	AD, DNRC, CR	
<b>Probation Officers</b>	3	<u>Same as police.</u>	CR	
<b>Recreation</b>	3	<u>Activities sponsored by universities or state agencies such as aerobics, trampolines, water sports, etc. Inadequate supervision, improper training or procedures, medical clearances, etc.</u>	US	
<b>Recruitment and Retention</b>	1	<u>Hiring and firing, reduction in force, wrongful discharge, harassment, discrimination under ADA.</u>	All agencies.	
<b>Regulatory</b>	3	<u>Failure to regulate. Acts of</u>	Many	

<u>ACTIVITY</u>	<u>RISK CATEGORY</u>	<u>DESCRIPTION</u>	<u>AGENCY</u>	<u>PRIORITY</u>
<b>Activities</b>		<u>commission or omission which result in property damage, loss of income, damage to reputation of the public, etc. Violence to employees from anti-government organizations.</u>		
<b>Rehabilitation Facilities</b>	3	<u>Professional liability, failure to train or supervise, Inadequate policies and procedures.</u>	PHHS	
<b>Revenue Generating Programs</b>	3	<u>Cafeterias, bookstores, stadiums, etc. are subject to loss of income in the event of flood, fire and other property loss in the absence of insurance.</u>	US, AD, DNRC (Toston Dam) and others.	
<b>Roads/Bridges</b>	3	<u>Design errors, construction defects, improper barricading and traffic control, engineering malpractice, and explosives.</u>	TR, FWP	
<b>Road Maintenance</b>	1	<u>Automobile accidents related to signs, signals, road structures, design or maintenance.</u>	TR	
<b>Shooting Ranges</b>	3	<u>Failure to train or supervise.</u>	CR, JU	

<u>ACTIVITY</u>	<u>RISK CATEGORY</u>	<u>DESCRIPTION</u>	<u>AGENCY</u>	<u>PRIORITY</u>
<b>Sidewalks and Bike Paths</b>	1	<u>Poor maintenance or design, improper signing, slips and falls.</u>	All agencies.	
<b>Snow Plowing/Sanding</b>	1	<u>Damage to vehicles and other property.</u>	TR, FWP, US	
<b>Stadiums</b>	3	<u>Operations hazards, large crowds, possible liquor liability, inadequate emergency plan.</u>	US	
<b>Swimming Pools/Areas</b>	3	<u>Slippery decks, slides and diving boards, inadequate supervision, poor design, construction, or underwater obstructions.</u>	US, FWP	
<b>Tennis Courts</b>	4	<u>Maintenance and supervision.</u>	US	
<b>Theaters</b>	3	<u>Crowd control, inadequate emergency plan, poor lighting.</u>	US	
<b>Tour Operation</b>	3	<u>Tour members health and safety.</u>	CR, HS, US	

<u>ACTIVITY</u>	<u>RISK CATEGORY</u>	<u>DESCRIPTION</u>	<u>AGENCY</u>	<u>PRIORITY</u>
<b>Vacant land</b>	3	<u>Negligent maintenance, attractive nuisance.</u>	DNRC, TR	
<b>Vehicle Operations</b>	1	<u>Negligent operation of state owned and leased/loaned vehicles. Failure to check employee driving records. Theft of personal and state property.</u>	All agencies.	
<b>Waterworks Operations</b>	3	<u>Contaminated water, failure to supply water towers. Disposal of hazardous waste.</u>	US	
<b>Welfare Administration</b>	3	<u>Discrimination and other civil and constitutional torts.</u>	PHHS	
<b>Laboratory Testing</b>	3	<u>Exposure to harmful chemicals, improper testing procedures and test results.</u>	AG, US, PHHS	

## STATE AGENCY ABBREVIATIONS

AC - Montana Arts Council	LE - Legislative Branch
AD - Administration	LG - Lieutenant Governor
AG - Agriculture	LI - Labor & Industry
AU - Auditor's Office	LV - Livestock
BE - Board of Public Education	MA - Military Affairs
CO - Commerce	PHHS- Public Health/Human Services
CR - Corrections	OPI - Public Instruction
DNRC - Natural Resources & Conservation	PS - Public Service Commission
EQ- Environmental Quality	RE - Revenue
FWP - Fish, Wildlife, & Parks	SC - Judiciary
GO - Governors Office	SL - State Library
HS - Historical Society	SS - Secretary of State
JU - Justice	TR - Transportation
	US- University System